

Message Text

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ACTION EUR-12

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FM USMISSION OECD PARIS
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INFO ALL OECD CAPITALS
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E.O. 11652: N/A
TAGS: ETRD, EEWT, OECD
SUBJECT: EAST-WEST TRADE: TRADE COMMITTEE WORKING
PARTY MEETING MAY 2-3

1. SUMMARY: WORKING PARTY HELD TWO DAYS OF TALKS
ON TRENDS IN EAST-WEST TRADE AND PROBLEMS OF
RECIPROCITY. DELEGATIONS GENERALLY AGREED THAT A
KEY DETERMINANT OF FUTURE LEVELS OF TRADE IN LONGER
TERM WOULD BE ABILITY OF EAST TO INCREASE EXPORTS,
ESPECIALLY MANUFACTURED GOODS. RECIPROCITY WAS RECOG-
NIZED AS IMPORTANT BUT DELICATE ISSUE REQUIRING FURTHER
EXAMINATION. WORKING PARTY PLANS TO RECONVENE IN
SEPTEMBER. END SUMMARY.

2. TRADE TRENDS: DISCUSSION OF SECRETARIAT STUDY
(TC/WP(77)11) OCCUPIED FIRST DAY OF TALKS. EC AND
NORDICS ASKED SECRETARIAT TO DEVOTE GREATER EFFORT
TO DISTINGUISHING PRICE EFFECTS FROM CHANGES IN
TRADE VOLUME. ON DEBT LEVELS, DELEGATIONS AGREED
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THAT FIGURE OF \$35 BILLION FOR NET INDEBTEDNESS OF
USSR AND EASTERN EUROPE TO OECD COUNTRIES (EXCLUDING
GERMAN SWING CREDIT) AT END OF 1976 WAS REASONABLY
ACCURATE. PROJECTION OF END-1980 DEBT OF \$65 BILLION,
BASED ON A NON-LINEAR SHIFT TOWARD AN EASTERN MER-
CHANDISE TRADE DEFICIT OF \$7 BILLION WITH THE OECD
IN 1980, WAS REGARDED AS CONSERVATIVE BUT NOT UN-

REALISTIC, AND NOT UNDULY WORRISOME. MEASURES TAKEN BY EASTERN COUNTRIES TO REDUCE GROWTH IN IMPORTS FROM OECD COUNTRIES IN 1976 WERE NOTED, ALTHOUGH THE U.S. WAS JOINED BY OTHER DELEGATIONS IN POINTING OUT THE RIGIDITIES IN PLANNING, CONSUMER PRESSURE, AND THE FAILURES OF CERTAIN EASTERN COUNTRIES TO TAKE EFFECTIVE ACTION TO TRIM HARD-CURRENCY TRADE DEFICITS. U.S. DEL ALSO POINTED OUT THAT PROJECTION WAS BASED ON TENUOUS ASSUMPTIONS OF NO CHANGES IN EAST-WEST TERMS OF TRADE AND RELATIVELY LOW LEVELS OF SOVIET IMPORTS OF AGRICULTURAL COMMODITIES.

3. MOST DELS VIEWED RESOLUTION OF PROBLEM OF EASTERN DEFICITS AS DEPENDING IN LONGER RUN ON EASTERN ABILITY TO EXPORT MANUFACTURED ITEMS, IN VIEW OF CONSTRAINTS ON RAW-MATERIAL EXPORTS, ESPECIALLY SOVIET OIL. ONLY FRG EXPRESSED OPTIMISM ABOUT PROSPECTS FOR EASTERN MANUFACTURES ON WESTERN MARKETS, NOTING FRG IMPORTS FROM USSR IN THIS CATEGORY WERE UP 9.6 PERCENT IN 1975 OVER 1974, AND UP AGAIN 14.3 PERCENT IN 1976. FRG ALSO CITED SOVIET PLANS TO BUILD PLANTS PRODUCING ONLY FOR EXPORT, AND EAST EUROPEAN SUCCESSES IN CREATING EXPORT INDUSTRIES ON BASIS OF IMPORTED MACHINERY AND TECHNOLOGY. OTHER DELEGATIONS WERE MORE SCEPTICAL, POINTING TO WELL-KNOWN PROBLEMS OF QUALITY AND MARKETING, AND TO COMPETITION WITH DOMESTIC INDUSTRY AND IMPORTS FROM LDCS.

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4. AS USUAL, COMPENSATION AGREEMENTS PROVOKED LIVELY DISCUSSION. A DISTINCTION WAS DRAWN BETWEEN LONG-TERM AGREEMENTS RELATED TO RAW MATERIALS, AND SMALLER ARRANGEMENTS INVOLVING BARTER OR COUNTERPURCHASE. DELEGATES AGREED THAT THE FIRST HAVE A MACRO IMPACT ON TRADE AND COULD OFFER SUBSTANTIAL BENEFITS TO THE WEST, WHILE THE SECOND REPRESENTED A PROBLEM FOR SMALL AND MEDIUM-SIZE FIRMS TRYING TO ENTER EASTERN MARKETS AND OFFERED NO BENEFITS.

5. DISCUSSION OF RECIPROCITY HIGHLIGHTED IMPORTANCE, COMPLEXITY AND DELICACY OF PROBLEM. ALL DELEGATES WHO SPOKE, INCLUDING EC, AGREED THAT THE AIM OF WESTERN COUNTRIES, WHETHER IN BILATERAL OR MULTILATERAL TALKS WITH THE EAST, HAD TO BE AN OVERALL BALANCE OF CONCESSIONS, AND THAT AN ITEM-BY-ITEM APPROACH WAS UNWORKABLE. ALL AGREED THAT EASTERN COUNTRIES REQUIRED SPECIAL TREATMENT. ALTHOUGH SEVERAL DELEGATIONS NOTED THEIR EFFORTS TO PLACE

LANGUAGE FROM THE CSCE FINAL ACT IN BINDING BILATERAL

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AGREEMENTS, OTHER DELS, INCLUDING THE U.S., HELD
THAT EXPERIENCE HAD NOT YET DEMONSTRATED THE CONCRETE
UTILITY OF THIS PRACTICE.

6. THE EC INTERVENTION ON RECIPROCITY EMPHASIZED
THE NEGATIVE ATTITUDE EASTERN COUNTRIES HAVE HAD
TOWARD THE COMMUNITY FROM ITS INCEPTION. THE REFUSAL
OF EASTERN COUNTRIES TO NEGOTIATE WITH THE COMMIS-
SION FORCED THE EC TO ADOPT A UNILATERAL, AUTONOMOUS
SYSTEM, GIVING MFN TARIFF TREATMENT TO EASTERN COUN-
TRIES REGARDLESS OF THEIR GATT STATUS, AND INCLUDING
A SYSTEM OF QUOTAS MAINTAINED ON VARIOUS EASTERN
IMPORTS. THE EC OBJECTIVE IS NEGOTIATION WITH THE
INDIVIDUAL CEMA MEMBERS. THE EC COUNTERED CEMA
PROPOSALS FOR EC-CEMA RELATIONS BASED ON UNRECIPRO-
CATED EC TRADE CONCESSIONS WITH A PROPOSAL FOR PURELY
ORGANIZATIONAL RELATIONS. FISHERIES AND TEXTILE
AGREEMENTS WITH SEVERAL OF THE CEMA MEMBER STATES
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INDICATE THAT THE NEGATIVE EASTERN ATTITUDE TOWARD
THE COMMISSION MAY BE CHANGING.

7. DISCUSSION OF METHODS OF OBTAINING RECIPROCITY WAS
INCONCLUSIVE. SECTORAL IMPORT COMMITMENTS, SPECIAL
SAFEGUARD ARRANGEMENTS, AND NON-TARIFF CONCESSIONS ALL
ATTRACTED INTEREST, BUT EASTERN RESISTANCE TO THE
FIRST, AND INABILITY TO QUANTIFY THE OTHERS, WERE
CITED AS PROBLEMS. THE SECRETARIAT AGREED TO PREPARE
A STUDY, BASED ON THE ECE INVENTORY OF OBSTACLES TO
TRADE, TO ASSIST MEMBER GOVERNMENTS IN EXAMINING POS-
SIBLE CONCESSIONS FROM THE EAST. THE SECRETARIAT
AGREED AS WELL TO A DUTCH SUGGESTION TO EXAMINE THE
PAPER PREPARED FOR THE ECE IN 1975 BY THE POLISH PRO-
FESSOR WITOLD TRZECIAKOWSKI, TO DETERMINE WHETHER HIS
THEORETICAL MEASUREMENT OF EFFECTIVE PROTECTION IN
PLANNED ECONOMIES OFFERS AN APPROACH TO TRADE
NEGOTIATIONS.

8. NEXT MEETING: THE WORKING PARTY AGREED TO
RECONVENE IN SEPTEMBER. IT WILL THEN REVIEW THE
REVISED TRADE TRENDS PAPER, THE SECRETARIAT REPORT
ON EASTERN TRADE PRACTICES, AND THE PAPERS RELATED
TO RECIPROCITY.

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